

NASHVILLE STEAM PRESERVATION SOCIETY, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NASHVILLE STEAM PRESERVATION SOCIETY, INC.

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Independent Auditor's Report

To the Board of Directors
Nashville Steam Preservation Society, Inc.
Nashville, Tennessee

We have audited the accompanying financial statements of Nashville Steam Preservation Society, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statement of activities, functional expenses, and cash flows for the year ended December 31, 2018, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



To the Board of Directors
Nashville Steam Preservation Society, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the year ended December 31, 2018 in accordance with accounting principles generally accepted in the United States of America.

Changes in Financial Statement Presentation

As discussed in Note A, the Organization adopted the amendments in Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14. Our opinion is not modified with respect to this matter.

Crawlin, PLLC

Nashville, Tennessee
August 26, 2019

NASHVILLE STEAM PRESERVATION SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2018	2017
Cash and cash equivalents	\$ 761,528	\$ 229,409
Accounts receivable, net	144	-
Inventories	6,939	3,086
Prepaid expenses and other assets	18,502	3,000
Property and equipment, net	26,718	16,094
	<u>26,718</u>	<u>16,094</u>
Total assets	<u>\$ 813,831</u>	<u>\$ 251,589</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 5,315	\$ 878
	<u>5,315</u>	<u>878</u>
Total liabilities	<u>5,315</u>	<u>878</u>

NET ASSETS

Net assets without donor restrictions	808,516	250,711
Net assets with donor restrictions	<u>-</u>	<u>-</u>
Total net assets	<u>808,516</u>	<u>250,711</u>
Total liabilities and net assets	<u>\$ 813,831</u>	<u>\$ 251,589</u>

See accompanying notes to financial statements.

NASHVILLE STEAM PRESERVATION SOCIETY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:			
Direct Public Grants	\$ 342,951	\$ -	\$ 342,951
Individual/Business Contributions	210,557	-	210,557
Non-Profit Organizations	5,976	-	5,976
Special Events, net of expenses	(229)	-	(229)
Donated Securities	49,699	-	49,699
In-Kind Donations	4,773	-	4,773
Company Store Sales	9,372	-	9,372
Interest Income	1,241	-	1,241
	<u>624,340</u>	<u>-</u>	<u>624,340</u>
Total revenues and support			
Expenses:			
Program services	<u>27,268</u>	<u>-</u>	<u>27,268</u>
Supporting services:			
Management and general	18,712	-	18,712
Fundraising	<u>20,555</u>	<u>-</u>	<u>20,555</u>
Total supporting services	<u>39,267</u>	<u>-</u>	<u>39,267</u>
Total expenses	<u>66,535</u>	<u>-</u>	<u>66,535</u>
Change in net assets	557,805	-	557,805
Net assets, beginning of year	<u>250,711</u>	<u>-</u>	<u>250,711</u>
Net assets, end of year	<u><u>\$ 808,516</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 808,516</u></u>

See accompanying notes to financial statements.

NASHVILLE STEAM PRESERVATION SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total
Locomotive Restoration	\$ 23,596	\$ -	\$ -	\$ -	\$ 23,596
Locomotive Relocation	3,671	-	-	-	3,671
Government Licences & Permits	-	180	-	180	180
Consulting Services	-	-	16,800	16,800	16,800
Postage, Mailing Service	-	807	-	807	807
Newletter Printing	-	3,032	-	3,032	3,032
Admin Supplies & Software Fees	-	1,174	-	1,174	1,174
Website Operations	-	86	-	86	86
Donation Processing Fees	-	-	182	182	182
Company Store Operations	-	-	1,213	1,213	1,213
Business Taxes	-	79	-	79	79
Advertising	-	411	-	411	411
Liability & Property Insurance	-	1,239	-	1,239	1,239
Membership & Dues	-	45	-	45	45
Locomotive Lease	1	-	-	-	1
Volunteer Expenses	-	-	2,360	2,360	2,360
Travel and Meetings	-	114	-	114	114
Donations to Other Groups	-	5,000	-	5,000	5,000
Total other expenses	<u>27,268</u>	<u>12,167</u>	<u>20,555</u>	<u>32,722</u>	<u>59,990</u>
Total expenses before depreciation and amortization	27,268	12,167	20,555	32,722	59,990
Depreciation and amortization	<u>-</u>	<u>6,545</u>	<u>-</u>	<u>6,545</u>	<u>6,545</u>
Total expenses	<u>\$ 27,268</u>	<u>\$ 18,712</u>	<u>\$ 20,555</u>	<u>\$ 39,267</u>	<u>\$ 66,535</u>

See accompanying notes to financial statements.

NASHVILLE STEAM PRESERVATION SOCIETY, INC.
STATEMENT OF CASH FLOWS

	Year Ended <u>December 31, 2018</u>
Cash flows from operating activities:	
Change in net assets	\$ 557,805
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	6,545
Increase in current assets:	
Accounts receivable	(144)
Inventory	(3,853)
Prepaid expenses and other assets	(15,502)
Increase in current liabilities:	
Accounts payable	<u>4,437</u>
Net cash provided by operating activities	<u>549,288</u>
Cash flows from investing activities:	
Purchase of property and equipment	<u>(17,169)</u>
Net cash used in investing activities	<u>(17,169)</u>
Net change in cash and cash equivalents	532,119
Cash and cash equivalents, beginning of year	<u>229,409</u>
Cash and cash equivalents, end of year	<u><u>\$ 761,528</u></u>

See accompanying notes to financial statements.

NASHVILLE STEAM PRESERVATION SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Nashville Steam Preservation Society, Inc. (the "Organization") was founded in 2016, as a nonprofit corporation under the provisions of the Tennessee Nonprofit Corporation Act. Its purpose is to preserve history by restoring and operating relevant historic railroad equipment for the purpose of education, tourism, and goodwill to and for Metro Nashville.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets of the Organization and changes therein are classified as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the mission and primary objectives of the Organization. These net assets may be used at the discretion of management and the Board of Directors.

Net Assets With Donor Restrictions - Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature; whereby the donor has stipulated funds be maintained in perpetuity. The Organization does not have net assets with donor restrictions that are perpetual in nature.

Expirations of restrictions on net assets as the result of fulfilling donor-imposed stipulations and/or passage of time are reported as net assets released from restrictions between the applicable classes of net assets in the statement of activities.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

NASHVILLE STEAM PRESERVATION SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable

Accounts receivable represent amounts due from vendors. The Organization establishes an allowance for losses on its accounts based on historic loss experience and current economic conditions. Losses are charged off to the allowance when management deems further collection efforts will not produce additional recoveries. As of December 31, 2018 and 2017, the Organization expected all accounts receivable to be fully collectible. Accordingly, no provision for collectible accounts was made as of December 31, 2018 and 2017.

Fixed Assets

The Organization's policy is to record purchased and contributed fixed assets at cost and fair value, respectively. Fixed assets are comprised of shop equipment, tools, and fixtures totaling \$32,596 and office and computer equipment totaling \$667. Depreciation for those assets was calculated using the straight-line method over the useful life of five years. Depreciation expense amounted to \$6,545 for the year ended December 31, 2018.

Contributions

Contributions are recognized as revenue when received. Contributions are reported as increases in net assets without donor restrictions, unless use of the related assets are limited by donor imposed restrictions.

In addition, the Organization has recognized certain contributed services in the statement of activities, which are used to offset restoration expenses. All recognized contributed services are from private donors and are determined to require specialized skills and are valued at fair market value. For the year ended December 31, 2018, the Organization recognized \$4,773 in contributed services.

NASHVILLE STEAM PRESERVATION SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

The Organization qualifies as a not-for-profit organization and is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and, accordingly, no provision for income taxes is included in the accompanying financial statements.

The Organization accounts for the effect of any uncertain tax positions based on a *more likely than not* threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a *cumulative probability assessment* that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the Organization include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax; however, the Organization has determined that such tax positions do not result in an uncertainty requiring recognition.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Instruments

The Organization's financial instruments consist of accounts receivable and accounts payable. The recorded values approximate their fair values based on their short-term nature.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expense for the year ended December 31, 2018, related to marketing of the project totaled \$411.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses. These costs have been directly charged to program or supporting services based on specific identification.

NASHVILLE STEAM PRESERVATION SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14.

B. LIQUIDITY AND AVAILABILITY OF RESOURCES

The table below represents financial assets available for general expenditures within one year at December 31, 2018:

Financial assets at year-end:	
Cash and cash equivalents	\$761,528
Accounts receivable, net	<u>144</u>
Total financial assets	<u>761,672</u>
Less amounts not available to be used for general expenditures within one year:	
Net assets with donor restrictions	<u>-</u>
Financial assets available to meet general expenditures within one year	<u>\$761,672</u>

The Organization is substantially supported by program revenues and unrestricted contributions. The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

C. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash in bank and uncollateralized accounts receivable, net of allowance. The Organization’s cash deposits are primarily in financial institutions in Tennessee and may, at times, exceed federally insured amounts. The Organization has not experienced any losses in such accounts.

NASHVILLE STEAM PRESERVATION SOCIETY, INC.
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D. LEASE

On August 17, 2016, the Organization entered into a lease with The Metropolitan Government of Nashville and Davidson County to lease the Steam Locomotive, Number 576. The lease provides for an annual rent of \$1, and requires that the locomotive be restored and operational to allow citizens of Nashville, Tennessee, and others visiting the city, to ride on runs of the locomotive.

E. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 26, 2019, the date the financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure.